

IMPACT OF COMPENSATION MANAGEMENT ON EMPLOYEE PERFORMANCE AND RETENTION

¹Sai Krishna V, ²Swayanka M, ³J Bhavani

¹PG Student, VIT Business School, Vellore Institute of Technology, Chennai

²Faculty, VIT Business School, Vellore Institute of Technology, Chennai

ABSTRACT

Employee performance and retention was heavily influenced by compensation management and practice. It gives employers a variety of options for rewarding their workers, which is a major motivator. The impact of compensation management practice on employee performance and retention was investigated in a theoretical sample of twenty-seven journals. As a result, a conceptual model of the relationship between compensation management practice, employee performance, and employee retention was developed. Compensation has a major positive impact on employee productivity and success, both directly and indirectly, as it motivates workers to continue with their work, according to the comparison and findings from literatures. This paper will assist in comprehending and observing the impact of compensation policy on employee performance and retention.

KEYWORDS: Compensation, Salary, pay rates, Employee motivation, Employee performance, Employee Satisfaction, Employee Retention.

1. INTRODUCTION

Compensation management is fundamental for each organization performance. Organizations have utilized compensation the executives practice to achieve their performance, especially corresponding to retention. Employees are an organization's most valuable resource; the ability of employers to recruit, retain, and reward the appropriate skilled and capable employees determines an organization's success or failure. Compensation and benefits play a big role in employees' willingness to remain with a business and is needed in organizations for financial income and well-being of their employees. Organizations require compensation management to ensure their financial viability and the well-being of their workers. Compensation has an effect on workers' living standards, work satisfaction, loyalty, and productivity. It has been discovered that salary benefits and employee success in a specific job position have a substantial relationship and a company's ability to attract, inspire, and retain workers through providing fair pay and appropriate incentives is linked to the company's success and growth. Companies, on the other hand, also use incentives as a tool to inspire and increase employee performance in both direct and indirect financial compensation and benefits. Many companies stick to financial incentives such as bonuses, salaries, or performance-related payments in order to attract workers and outwit their competitors. Compensation plays an important role in assessing employee satisfaction in all sectors. It is an important tool for employee effectiveness and can have a positive impact on staff behavior and scholastic profitability. Furthermore, compensation controls the attraction and retention of talent in order to achieve business objectives.

Compensation packages provide basic features that contribute to employee satisfaction in their job position, such as wages, benefits, and promotions, and these have a significant effect on employee satisfaction and retention. When the wage paid to a job reflects sufficient remuneration for the proper and productive performance of duties, it is called compensation. There are several instances where rewards are justified. The primary goal of these benefits is to recruit and retain professional and qualified employees. Nonetheless, claims that various companies have recently seen a departure of members to different competitors, which has been attributed to inadequate compensation methodologies, which has prompted workers to seek out firms that would consider compensating them better and, as a result, react through great results. Hence this study is done in attempting how compensation management has its impact on employee performance and retention.

2. REVIEW OF LITERATURE

Compensation management:

According to D Cross Ogohi, (2019), Employees become content with their positions when their necessities are satisfied grinding away, and when they are happy with their work, they need to not exclusively accomplish more and acquire, yet they additionally need to remain loyal and contribute to the organization that pays special mind to them. B Lucia et al., (2017), Compensation and benefits are useful tools for assessing employee performance in audit companies, and there is a significant connection between the status and extent of efficacy of compensation and benefits on employee performance. Mary Obianuju et al., (2017), Salary and employee satisfaction are related, and if there is a poor relationship between the two, it is apparent that workers would leave the job in search of a better one. The management must use effective techniques to attract workers, such as implementing a good compensation package.

According to Dr. R. Dayanandan, (2017) Compensation has a direct impact on the work performance of staff of the chosen hospital and employees' job performance is influenced by the money they earn for work done that is tailored for their ability, qualifications, experience, or other characteristics. Unpaid salaries on time cause a void in the workplace, and workers become careless. As a result, wages should be paid on time. According to R Sidra Rafique et al., (2015) If the employer or workers make compensation plans with shared concerns, or if pay is not determined on the basis of seniority or predetermined grades, the compensation package meets the needs of the employees. Employees should be rewarded for their best results, not at the end of a performance evaluation. S Ni Wayan et al., (2016) stated that indirect compensation such as Insurance, allowances, pensions, and other types of fringe benefits are provided to workers as part of the company's strategy to enhance their well-being.

Employee Performance And Retention:

In reference with Anton Saman (2020), compensation is intended to benefit the company by ensuring that workers operate competitively, generate high-quality results, and meet the organization's objectives. The author has also discussed work satisfaction in terms of offering equal pay to employee. According to A Ifeanyi Harold et al., (2020) Wages and benefits have a significant effect on employee productivity in the manufacturing industry. The study also recommends that such employee compensation programmes be maintained in order for employees to maintain industry-standard efficiency.

According to A.E.Hanai et al., (2020) The most critical quality is a decent wage, which has a huge impact on employee retention. D.Babjohn et al., (2019) in reference with wages and benefits have a significant effect on employee productivity in the manufacturing industry. The study also recommends that such employee compensation programmes be maintained in order for employees to maintain industry-standard efficiency. K Komal et al., (2018) stated that Employee compensation should be given due consideration, and companies should strive to build an atmosphere in which workers can collaborate as a team and engage in compensation and benefit decisions. Delegative involvement, consultative participation, indirect participation, retention, and employee benefits were the main areas of emphasis. Participation in delegation has a greater impact on retention were all highlighted by K Komal Khalid et al., (2018).

Managers and leaders should use strategic measures to ensure that qualified and talented workers are recruited, employed, and retained via an appropriate strategic compensation scheme and must be able to attract and retain skilled and capable employees in order to sustain an organization's competitive advantage, according to D Uwimpuhwe et al., (2018). S Ketut Ir et al., (2018) discuss various compensation theories, to ensure the accomplishment of company goals or targets, management needs a successful performance assessment system and consistent performance steps. Performance evaluations must be specific, observable, achievable/realistic, and trustworthy, with a time limit, performance tests are used to assess a person's high performance by taking into account the work's consistency, quantity, timeliness, and effectiveness.

J Ignatius et al., (2018) stated that employee performance is influenced by pay, competence, and talent management, so improving compensation, competence, and talent management all enhance employee performance at the same time. According to Munish et al., (2017), Employee retention also requires work satisfaction, training and growth, leadership skills, and other factors, To engage and maintain a skilled workforce for a longer period of time, HR practitioners can use a combination of employee retention and engagement techniques. According to N J Kimani et al., (2017), proper compensation plans such as retirement plans, insurance plans, and various components of appreciation strongly influenced workers' behavior, giving employees a compelling reason to stay with their employer, concluding that various types of benefits positively affect employee morale and thus efficiency.

S Dina Sarah et al., (2017), to retain excellent employees, the company should concentrate on efforts that encourage employees to remain with the company, such as employee training and growth, incentives for exceptional employees, job security, and reasonable wages. According to K Nnorom Goodluck et al., (2016) Organizations that seek to boost workplace productivity should make sure their compensation scheme has policies, procedures, and regulations that include transparent and unambiguous determination and administration of workers compensation. In reference with M Calvin, (2016) Both for reinforcing positive behavior and as a motivation or motivator for achieving optimal organizational success, reward practice is critical.

According to Dr. M Yogita, (2016), An appealing remuneration package is a motivating factor in keeping an employee in his role. Employee evaluations should provide a variety of enrichments, and upward career advancement should be accompanied by pay and merit raises. Furthermore, performance-based incentives encourage workers to match their personal goals with the company's objectives. Bhavani, (2015), its witnessed from her study that monetary benefits was not considered as a primary factor in determining the efficiency of productivity but other welfare measures like superior subordinate relations, management commitment, work environment, etc. also contribute for the healthy relations.

N Sheila Wambui et al., (2015) According to their study, compensation and reward have a significant impact on employee performance, which is successful and has a cascade effect of empowering workers, which in turn improves employee performance. Stated by U. M. Premalatha, (2013) stated that employee output is directly influenced by salary management and employee compensation expectations can differ from position to position within an organization, regardless of its size or nature; thus, monetary incentives must be accompanied by non-monetary benefits to maintain talent in the long run. Bhavani, (2012), this study found that every organization provides the statutory welfare measures, some organizations go above and above to provide additional performance based pay benefits to employees in order to retain its workforce. D.M Mehul (2012), stated that maintaining a sustainable incentive programme that can help a company attract and retain talent is a vital job for reward specialists and HR professionals. According to Y Hiroshi, (2011) Employee benefit management must be stressed as a sub-system of human resource management, alongside training and growth, to retain employees.

Objectives

1. To investigate the impact of pay on employee performance and retention in a company.
2. To determine the impact of compensation and benefit programmes on employee performance, as well as whether compensation is really a factor in attracting and retaining talent.

Methodology: This research is done on the basis of Secondary data collected from 27 articles from the decade 2010-2020.

3. DISCUSSION

Employee Performance:

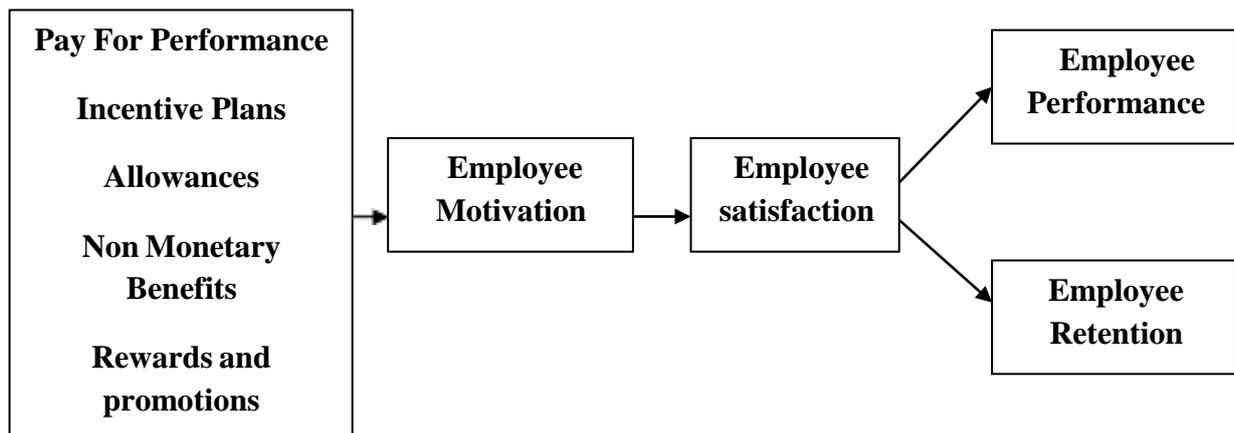
Compensation is a monetary incentive offered to workers for their efforts, and it is often bestowed upon the most productive employees. How well salaries and benefits are planned usually determines the quality and success of an organization's talent pool. A monetary benefit payment is not the same as salary, and it covers things like flexible insurance, medical coverage, work-life balance, and employee incentives. Employees today don't just work for the money; they also value different facets of benefits equally. Compensation management, as the name shows, involves building up a remuneration package in which workers who perform well are repaid more than the individuals who perform moderately. It is a financial honor given to a representative in return for their service and commitment to the organization. Compensation is a well-coordinated process that involves managing work-employee relationships by providing employees with monetary and non-monetary benefits.

It incorporates installments, for example, rewards, benefit sharing, additional time pay, acknowledgment prizes and deals commission and weighs altogether in work performance. An organization's performance system starts well before the worker reports for her first day at work. Performance management begins with talking about the work obligations, duties and expectations with applicants during the recruitment and selection process. Employers should make pay-for-performance philosophy clear to employees which in turn increase employee performance and to achieve organizational goals and additionally, workers agree that above-average performers should be paid more than average performers.. Employers, however, may not feel the same as there may not be enough reasons for them to link pay with performance. Pay for performance isn't for everybody; some people need a constant paycheck and others thrive on it. With a properly executed incentive plan, however, pay for performance can work for companies of any sector. The main goal of compensation is to encourage employees to work and inspire them to do a good job.

4. EMPLOYEE RETENTION

Employee Retention is the capability of an organization to retain its employees. It is an increasingly important challenge for every organizations. Consequently, every turnover of capable employees include some significant pitfalls and the consolidated direct what's more, circuitous expenses related with one employee leaving goes from at least one year's compensation and advantages to something more substantial. Likewise, when critical talents leaves an organization, the outcomes go a long ways past the considerable expenses of selecting and integrating replacements. Similarly, most employers are looking for better approaches to oversee turnover to hold esteemed HR just as sustain competition and high performance. Paying employees more than the competitors is one way to recruit and retain employees, as well as keep them motivated. Hence, Determination of what competitors are paying and adjust of compensation plan accordingly is a must strategy for employee retention. Employee retention can also be done if the organization follows the pay with regarding to Pay Competitively, Pay Appropriately, Pay Accurately.

Conceptual framework:



Influence of Compensation Management on Employee Performance and Retention.

Limitations:

1. This paper is a theoretical paper that can be applied to empirical view as well.
2. Only 27 articles were reviewed, more articles can be reviewed
3. Sample responses, direct interviews and feedbacks can also be collected from working employees which may even precisely say the impact of compensation management on employee performance and retention.

5. CONCLUSION

Compensation management is a practice that may appear to be perplexing and not effectively comprehended on the grounds that it can make or annihilate an organization. Compensation variable directly influences on Employee Performance variable. This shows that compensation in type of pay, wages, rewards, bonuses, travel allowances and holiday allowance positively affect employee performance. Compensation variables straightforwardly influences on Employee Satisfaction. The higher the compensation given by the organization to its employees will expand employee satisfaction. Job satisfaction intervenes the impact of pay on representative execution. At the point when somebody is happy with pay given by organization, it will improve the employee satisfaction which in turn helps in retaining the employees. Retaining employees do help in the drawn out development of an association and furthermore adds to their generosity, however the most troublesome task looked by an organization today is retaining just as satisfying the human resource. In general compensation management has direct and indirect effect on employee retention and employee performance.

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